

Spaceport & Technology Committee

Tuesday, February 21, 2006

2:00 PM to 4:00 PM

Room 12, HOB

MEETING PACKET



The Florida House of Representatives

State Infrastructure Council

Spaceport & Technology Committee

Allan G. Bense
Speaker

Bob Allen
Chair

AGENDA

COMMITTEE ON SPACEPORT & TECHNOLOGY February 21, 2006

1. **CALL TO ORDER BY CHAIR**
2. **GENERAL OPENING COMMENTS BY THE CHAIR**
Welcome and Opening Comments by the Chair.
3. **AGENDA ITEMS**
 - (A) Bill for Consideration
 - (1) HB 415 by Representative Quinones – Tax on Sales, Use, and Other Transactions
 - (B) Presentation on the report of the Governor's Commission on the Future of Space and Aeronautics in Florida
 - (1) Representative Leslie Waters
 - (2) Mr. Jim Banke, Florida Space Foundation
 - (3) Mr. Joe Wiendl, Raymond James Financial, Inc.

AGENDA

Page 2

(C) Receive presentation on information technology project and audit.

(1) MyFlorida Market Place/ MyFlorida Portal.

- (a) Ken Granger, CIO, DMS**
- (b) Jon Ingram, Auditor General**
- (c) Joe Brigham, TRW**

4. Committee members identify issues for future review and consideration.
5. Chairman takes questions.
6. Closing remarks by Chair.

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 415 **Tax on Sales, Use, and Other Transactions**
SPONSOR(S): Quinones and others
TIED BILLS: IDEN./SIM. BILLS: SB 962

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Spaceport & Technology Committee		Whittier SW	Saliba OK
2) Finance & Tax Committee			
3) State Infrastructure Council			
4)			
5)			

SUMMARY ANALYSIS

HB 415 exempts from the state sales and use tax, machinery and equipment used predominantly for research and development activities. The bill also exempts from the state sales and use tax, machinery and equipment used by a space flight business in designing or creating a space flight vehicle or components of a space flight vehicle.

The bill provides definitions and procedures for administering this exemption. The Department of Revenue is authorized to promulgate rules to implement the amended sections.

The Revenue Estimating Conference has estimated that the provisions of this bill will reduce state revenues by \$26.9 million and local revenues by \$6.1 million in both FY 2006-2007 and FY 2007-2008.

The provisions of this bill may reduce the authority that cities and counties have to raise revenue through local option sales taxes. The constitutional mandates provision described in subsection (b) of s. 18, Art. VII, State Constitution, may be applicable and this bill may require a two-thirds vote of the membership for passage.

The bill has an effective date of July 1, 2006.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Lower Taxes - The bill exempts from the state sales and use tax, machinery and equipment used predominantly for research and development activities. The bill also exempts from the state sales and use tax, machinery and equipment used by a space flight business in designing or creating a space flight vehicle or components of a space flight vehicle.

B. EFFECT OF PROPOSED CHANGES:

Present Situation

Research and Development

Note: The bill addresses two sections of statute. The first section of statute addressed by the bill, s. 212.052, F.S., utilizes the term "research or development" and the second section of statute, s. 212.08, F.S., utilizes the term "research and development."

Section 212.052(2), F.S., provides that any person, including an affiliated group¹, who manufactures, produces, compounds, processes, or fabricates tangible personal property for the taxpayer's own use **directly and solely** in research or development shall not be subject to the tax imposed by chapter 212. This includes the cost of the manufactured, produced, compounded, processed, or fabricated product. There is an exception, however, that taxes are due on the purchase, rental, or repair of real property or tangible personal property employed in research or development which is subject to the tax

The interpretation regarding the items exempted from tax by this section is the subject of recent litigation. In State of Florida v. Lockheed Martin Corporation (905 So.2d 1017), the First District Court of Appeals upheld the trial court ruling in favor of Lockheed. The Court found that sentence one and sentence two of s. 212.052(2), F.S., are not ambiguous. Tangible personal property **incorporated or fabricated** into a research and development end product or prototype is directly and solely used in research and development for purposes of the section, and thus is tax exempt. Tangible personal property, such as equipment that is used only in making a prototype, is not directly and solely used in research and development. Items listed as "employed in" research and development (i.e., purchase, rental, or repair of real property) cannot be incorporated or fabricated into a prototype and are therefore taxable.

The term "research or development" is defined in section (1) as research which has as one of its ultimate goals:

- Basic research in a scientific field of endeavor.
- Advancing knowledge or technology in a scientific field or technical field of endeavor.
- The development of a new product, whether or not the new product is offered for sale.
- The improvement of an existing product, whether or not the new or improved product is offered for sale.
- The development of new uses of an existing product, whether or not a new use is offered as a rationale to purchase the product.
- The design and development of prototypes, whether or not a resulting product is offered for sale.

¹ An "affiliated group" is generally defined as one or more chains of includible corporations connected through stock ownership with a common parent corporation which is an includible corporation.

Research or development does not include ordinary testing or inspection of materials or products used for quality control, market research, efficiency or consumer surveys, advertising and promotions, management studies, or research in connection with literary, historical, social science, psychological, or other similar non-technical activities.²

Subsection (3) provides that the tax exemption does not apply to any product of research or development which is used in the ordinary course of business.

Section 212.08(5)(j), F.S., provides for exemption for machinery and equipment used in semiconductor (100 percent), defense (25 percent), or space (25 percent) technology production and research and development (R & D) from the following taxes: sales, rental, use, consumption, distribution, and storage. Machinery and equipment includes molds, dies, machine tooling, other appurtenances or accessories to machinery and equipment, testing equipment, test beds, computers, and software, whether purchased or self-fabricated, and, if self-fabricated, includes materials and labor for design, fabrication, and assembly. "Predominately" is defined as at least 50 percent of the time.

Paragraph (j) provides the following two exemptions for the semiconductor industry:

- Industrial machinery and equipment used in semiconductor technology facilities to manufacture process, compound, or produce semiconductor technology products for sale or use by these facilities are exempt from the tax imposed by this chapter.
- Machinery and equipment are exempt from the tax imposed by this chapter if used predominantly in semiconductor wafer research and development activities in a semiconductor technology research and development facility.

Paragraph (j) provides the following two exemptions for the defense and space industries:

- Industrial machinery and equipment used in defense or space technology facilities to manufacture, process, compound, or produce defense technology products or space technology products for sale or for use by these facilities are exempt from 25 percent of the tax imposed by this chapter.
- Machinery and equipment are exempt from 25 percent of the tax imposed by this chapter if used predominately in defense or space research and development activities in a defense or space technology research and development facility.

In all of the above cases, a business entity must apply to Enterprise Florida, Inc. (EFI), to certify that machinery and equipment purchased are used consistent with the requirements described above. Once the application is determined to be complete, EFI evaluates the application and recommends approval or disapproval of the application to the Office of Tourism, Trade, and Economic Development (OTTED) within 10 working days. Upon receipt, OTED has 5 working days to certify those applicants who are found to meet the requirements of s. 212.08, F.S., and is to notify the applicant, EFI, and the Department of Revenue of the certification. If OTED determines that the applicant does not meet the requirements, it is to notify the applicant and EFI within 10 working days that the application was denied and the reasons for denial.³

According to EFI, Florida's sales tax treatment of R & D equipment constitutes a distinct competitive disadvantage for manufacturers and other target industries in Florida, as many competitor states have either abolished or significantly reduced their sales tax on equipment used in R & D. EFI reports that the level of R & D activity in Florida is low relative to the size of its economy and that eliminating the sales and use tax on machinery and equipment used in R & D activities is key to encouraging expansion in two Florida industry sectors: the aviation/aerospace and biomedical industries. Also,

² See s. 212.052(1)(a), F.S.

³ See s. 212.08(5)(j)6., F.S.

eliminating the sales and use tax on R & D machinery and equipment is consistent with EFI's 2006 Strategic Plan for Economic Development.⁴

The Florida Chamber of Commerce, along with the Manufacturing Advisory Council, asserts that, "A missing ingredient to a successful business climate in the state is the elimination of the sales and use tax on R & D equipment. The elimination of this tax would encourage business investment and expansion, make Florida more competitive with other states and promote the creation of higher quality jobs for Floridians." The Chamber echoes EFI's claims that most of the states that are Florida's competitors for recruiting and developing new businesses, such as California, Massachusetts, New York, Virginia, and Washington, have exempted or substantially discounted taxes on R & D equipment.⁵

Space Flight Business

A number of developments in recent years are significantly impacting space enterprises in Florida. In January 2004, President Bush committed the U.S. to a long-term human and robotic program to explore the solar system, starting with a return to the Moon that will ultimately enable future exploration of Mars and other destinations. The President's plan envisions completion of the International Space Station, retirement of the Space Shuttle by 2010, and the introduction of a new Crew Exploration Vehicle (CEV).

The President's new vision has significant implications for Florida. More than half of Florida's current space-related activities are linked to the Space Shuttle and International Space Station. The smaller CEV will require significantly fewer personnel at the Kennedy Space Center.

In June 2005, the Governor created the *Governor's Commission on the Future of Space and Aeronautics in Florida* (commission) to assess and make recommendations on how to strengthen Florida's role as a leader in space and aeronautics to maximize the economic development and job creation opportunities throughout the state.⁶ The commission's support of the space industry is exhibited in the *Executive Summary* of the final report:

During the next decade, Florida has the opportunity to broaden its existing leadership in civil and military launch activity, while also emerging as the nation's leader in new commercial space opportunities and the integration of space, aeronautics, and aviation technologies. If realized, this vision will position Florida for sustained economic growth and prosperity for decades to come. Attaining this vision will require a strong public and private commitment to a world-class space and aeronautics industry....Florida must capture a larger share of activity in aerospace research, technology, production, and commercial operations, while maintaining its historical leadership in space launch activities.⁷

Currently, there are no sales and use tax exemptions for machinery and equipment used by a space flight businesses in designing or creating a space flight vehicle or components of a space flight vehicle. "Space flight business" is defined in s. 212.031(1)(a)13., F.S., as the manufacturing, processing, or assembly of a space facility, space propulsion system, space vehicle, satellite, or station of any kind possessing the capacity for space flight⁸, or components thereof, and also means the following activities supporting space flight: vehicle launch activities, flight operations, ground control or ground support, and all administrative activities directly related thereto.

⁴ *Roadmap to Florida's Future*, 2006 Annual Report, Enterprise Florida, Inc., p. 25.

⁵ *Where We Stand: Research and Development Tax Exemption*, Florida Chamber of Commerce.

⁶ See http://www.myflorida.com/myflorida/government/governorinitiatives/space_commission/05-120.html.

⁷ *Governor's Commission on the Future of Space and Aeronautics in Florida Final Report*, January 2006, pp. ES1-ES2.

⁸ Section 212.02(23), F.S., defines "space flight" as any flight designed for suborbital, orbital, or interplanetary travel of a space vehicle, satellite, or station of any kind.

The commission recommended increasing the sales and use tax exemptions for space and defense research, development, and production machinery and equipment from 25 to 100 percent.⁹ The Governor's FY 2005-06 Budget Recommendations also include this proposed policy.

Proposed Changes

The bill removes the exception of purchase, rental or repair of real property or tangible personal property employed in research or development to the tax exemption previously explained. Section 212.052(2), F.S., refers to tangible personal property that is used **directly and solely** in research or development. Removing this exception ensures that s. 212.052(2), F.S., does not conflict with the proposed machinery and equipment sales and use tax exception created by Section 2. of the bill.

The bill provides a sales tax exemption for machinery and equipment used **predominantly** for R & D. The bill also exempts from the state sales and use tax, machinery and equipment used by a space flight business in designing or creating a space flight vehicle or components of a space flight vehicle. The bill defines "predominately" as at least 50 percent of the time.

The bill defines "machinery and equipment" to include, but not be limited to, molds, dies, machine tooling, and other appurtenances or accessories to machinery and equipment, testing and measuring equipment, test beds, computers and software, whether purchased or self-fabricated, and if self-fabricated, includes materials and labor for design, fabrication, and assembly. The term "other appurtenances or accessories" is not defined in the bill. The Department of Revenue indicates that the lack of a definition may cause problems when implementing and administering the law's provisions.

The bill also defines the term "research and development," using the current definition contained in s. 212.052(1), F.S. (See *Present Situation* section.)

The bill provides an administrative procedure for a purchaser of machinery and equipment to claim the sales and use exemption. The purchaser must furnish the vendor with an affidavit stating that the machinery and equipment will be used predominantly for R & D activities. Persons claiming the exemption by refund must include the affidavit with the refund application. Any person who fraudulently furnishes an affidavit is subject to the penalties provided in s. 212.085, F.S.

Although the bill requires the affidavit process described above, the bill does not require the certification process which is currently required under s. 212.08(5)(j), F.S., for determination that the machinery and equipment will be used predominantly for R & D activities.

C. SECTION DIRECTORY:

Section 1 – Amends s. 212.052(2), F.S.; deletes an exception to a tax exemption.

Section 2 – Amends s. 212.08(5), F.S.; adds sales and use tax exemptions for machinery and equipment used predominantly for research and development or by a space flight business in designing or creating a space flight vehicle or components of a space flight vehicle.

Section 3 – Provides an effective date of July 1, 2006.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

⁹ Governor's Commission on the Future of Space and Aeronautics in Florida Final Report, January 2006, p. 3-15.
STORAGE NAME: h0415a.SPT.doc PAGE: 5
DATE: 2/20/2006

The Revenue Estimating Conference met on February 17, 2006, and made the following estimate:

	FY 2006-07	FY 2007-08
General Revenue	(\$26.8) million	(\$26.8) million
State Trust	(\$.1) million	(\$.1) million
Total State Impact	(\$26.9) million	(\$26.9) million

2. Expenditures:

The Department of Revenue estimates the following state government expenditures:

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Recurring	\$43, 262	\$55, 548	\$55,548	\$55,548
FTE	1			
Salaries	\$36,859	\$49,145	\$49,145	\$49,145
Expenses	\$6,403	\$6,403	\$6,403	\$6,403
Non-Recurring	\$4,843			
Expenses	\$3,343			
OCO	\$1,500			
Total	\$48,105	\$55,548	\$55,548	\$55,548

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Estimating Conference met on February 17, 2006, and made the following estimate:

	FY 2006-07	FY 2007-08
Local Tax Impact	(\$6.1) million	(\$6.1) million

2. Expenditures:

The bill is not expected to have an effect on local government expenditures.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill reduces the tax burden on businesses purchasing machinery and equipment used predominately for R & D and space flight businesses designing or creating a space flight vehicle and its components.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Subsection (b) of s. 18, Art. VII, State Constitution, provides that except upon approval of each house of the legislature by two-thirds vote of the membership, the legislature may not enact, amend,

or repeal any general law if the anticipated effect of doing so would be to reduce the authority that municipalities or counties have to raise revenue in the aggregate, as such authority exists on February 1, 1989.

The mandates provision may apply to this bill because it appears to reduce the authority that cities and counties have to raise revenues, in the aggregate, through local option sales taxes. Therefore, this bill may require a two-thirds vote of the membership for passage.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill provides the Department of Revenue with authorization to adopt rules that provide for administering and implementing the exemption.

C. DRAFTING ISSUES OR OTHER COMMENTS:

As discussed in the *Present Situation* section, the commission's final report proposed increasing the sales and use tax exemptions for space and defense research, development, and production machinery and equipment from 25 to 100 percent. These exemptions are also reflected in the Governor's FY 2005-06 Budget Recommendations and are presumed to be for the provisions of s. 212.08(5)(j), F.S. If s. 212.08(5)(j), F.S., is amended, consistent with the Governor's recommendation, the language in this bill may conflict.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

N/A

HB 415

2006

1 A bill to be entitled

2 An act relating to the tax on sales, use, and other
3 transactions; amending s. 212.052, F.S.; deleting an
4 exception to an exemption from the tax for research or
5 development costs; amending s. 212.08, F.S.; exempting
6 machinery and equipment used predominantly for research
7 and development activities or by a space flight business;
8 providing definitions; authorizing the Department of
9 Revenue to adopt rules administering and implementing the
10 exemption; providing requirements and procedures for
11 claiming the exemption; requiring an affidavit to be given
12 by a taxpayer claiming entitlement to the exemption;
13 providing penalties for fraudulently claiming the
14 exemption; providing recordkeeping requirements; providing
15 an effective date.

16

17 Be It Enacted by the Legislature of the State of Florida:

18

19 Section 1. Subsection (2) of section 212.052, Florida
20 Statutes, is amended to read:

21 212.052 Research or development costs; exemption.--

22 (2) Notwithstanding any provision of this chapter to the
23 contrary, any person, including an affiliated group as defined
24 in s. 1504 of the Internal Revenue Code of 1954, as amended, who
25 manufactures, produces, compounds, processes, or fabricates in
26 any manner tangible personal property for such taxpayer's own
27 use directly and solely in research or development shall not be
28 subject to the tax imposed by this chapter upon the cost of the

Page 1 of 4

CODING: Words stricken are deletions; words underlined are additions.

hb0415-00

HB 415

2006

29 product so manufactured, produced, compounded, processed, or
30 ~~the tax imposed by this chapter shall be~~
31 ~~due on the purchase, rental, or repair of real property or~~
32 ~~tangible personal property employed in research or development~~
33 ~~which is subject to the tax imposed by this chapter at the time~~
34 ~~of purchase or rental.~~

35 Section 2. Paragraph (r) is added to subsection (5) of
36 section 212.08, Florida Statutes, to read:

37 212.08 Sales, rental, use, consumption, distribution, and
38 storage tax; specified exemptions.--The sale at retail, the
39 rental, the use, the consumption, the distribution, and the
40 storage to be used or consumed in this state of the following
41 are hereby specifically exempt from the tax imposed by this
42 chapter.

43 (5) EXEMPTIONS; ACCOUNT OF USE.--

44 (r) Machinery and equipment used predominantly for
45 research and development or by a space flight business.--

46 1. Machinery and equipment used predominantly for research
47 and development or by a space flight business as defined in s.
48 212.031(1)(a)13. in designing or creating a space flight vehicle
49 or components of a space flight vehicle are exempt from the tax
50 imposed by this chapter.

51 2. For purposes of this paragraph:

52 a. "Machinery and equipment" includes, but is not limited
53 to, molds, dies, machine tooling, other appurtenances or
54 accessories to machinery and equipment, testing and measuring
55 equipment, test beds, computers, and software, whether purchased
56 or self-fabricated, and, if self-fabricated, includes materials

HB 415

2006

57 and labor for design, fabrication, and assembly.

58 b. "Predominantly" means at least 50 percent of the time.

59 c. "Research and development" means research that has one

60 of the following as its ultimate goal:

61 (I) Basic research in a scientific field of endeavor;

62 (II) Advancing knowledge or technology in a scientific or

63 technical field of endeavor;

64 (III) The development of a new product, whether or not the

65 new product is offered for sale;

66 (IV) The improvement of an existing product, whether or

67 not the improved product is offered for sale;

68 (V) The development of new uses of an existing product,

69 whether or not a new use is offered as a rationale to purchase

70 the product; or

71 (VI) The design and development of prototypes, whether or

72 not a resulting product is offered for sale.

73

74 The term "research and development" does not include ordinary

75 testing or inspection of materials or products used for quality

76 control, market research, efficiency surveys, consumer surveys,

77 advertising and promotions, management studies, or research in

78 connection with literary, historical, social science,

79 psychological, or other similar nontechnical activities.

80 3. The department may adopt rules that provide for

81 administering and implementing this exemption.

82 4. A person who claims the exemption provided in this

83 paragraph shall furnish the vendor of the machinery or

84 equipment, including the vendor of materials and labor used in

HB 415

2006

85 self-fabrication of the machinery or equipment, an affidavit
86 stating that the item or items for which an exemption is claimed
87 are machinery and equipment that will be used predominantly for
88 research and development or by a space flight business as
89 required by this paragraph. A purchaser who claims the exemption
90 by refund shall include the affidavit with the refund
91 application. The affidavit must contain the purchaser's name,
92 address, sales and use tax registration number, and, if
93 applicable, federal employer's identification number. Any person
94 fraudulently furnishing an affidavit to the vendor for the
95 purpose of evading payment of any tax imposed under this chapter
96 shall be subject to the penalty set forth in s. 212.085 and as
97 otherwise provided by law.

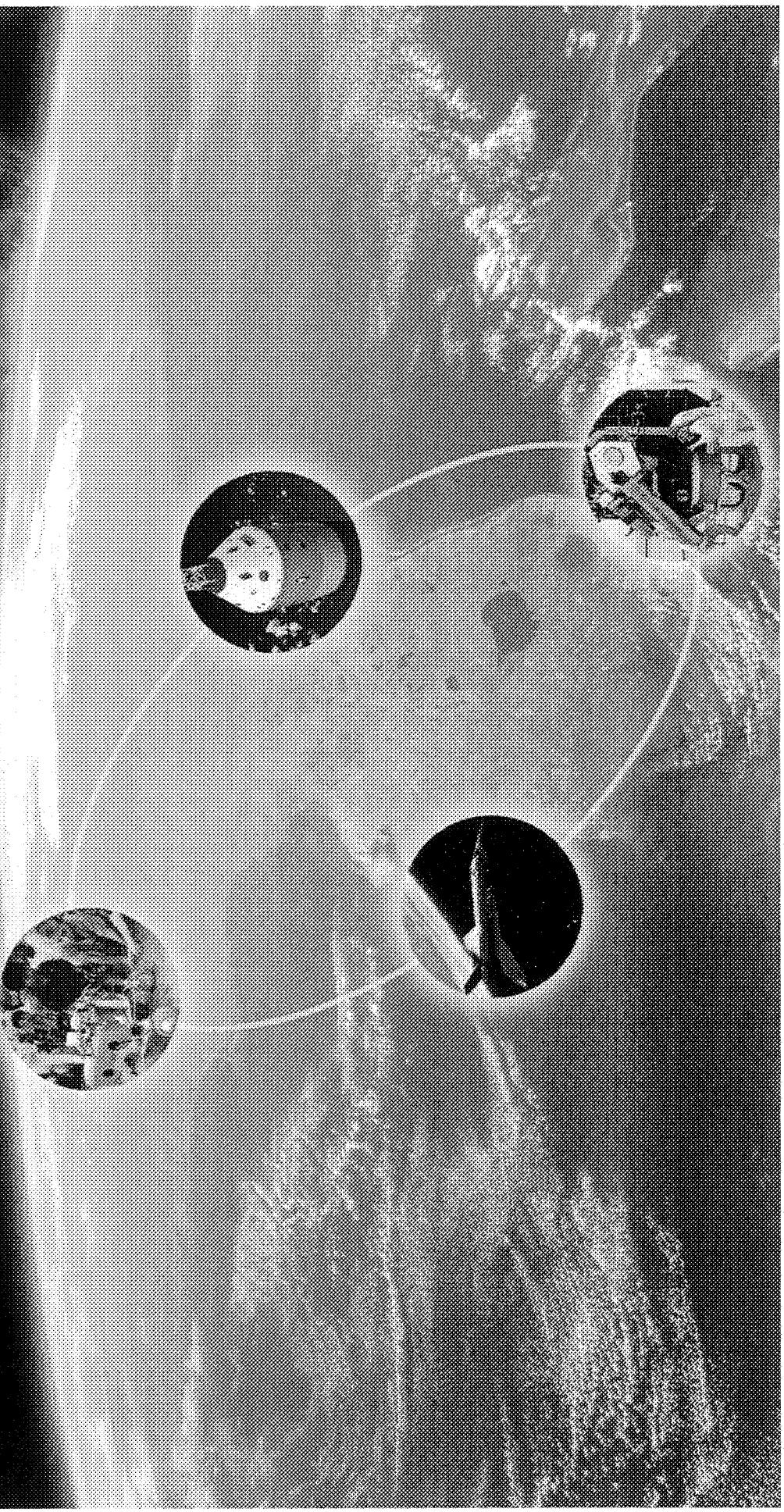
98 5. In lieu of furnishing an affidavit, a purchaser
99 claiming the exemption provided in this paragraph who has a
100 direct-pay permit may furnish the vendor with a copy of the
101 direct-pay permit and shall maintain all documentation necessary
102 to prove the exempt status of the purchases and fabrication
103 activity.

104 6. Purchasers shall maintain all documentation necessary
105 to prove the exempt status of purchases and fabrication activity
106 and make such documentation available for inspection pursuant to
107 the requirements of s. 212.13(2).

108 Section 3. This act shall take effect July 1, 2006.

**GOVERNOR'S COMMISSION ON THE FUTURE
OF SPACE AND AERONAUTICS IN FLORIDA**

**FINAL REPORT
JANUARY 2006**



Background

- Governor Bush created the Commission on the Future of Space & Aeronautics on June 10, 2005, to assess and make recommendations on how to strengthen Florida's role as a leader in space and aeronautics.
- The Governor assembled an expert team of 19, chaired by Lt. Governor Jennings, who represented the various facets of the space & aeronautics community.
- The Commission met a total of 8 times across the state in Tampa, Orlando, Tallahassee, and traveled to Washington, DC.
- The Final Report and Recommendations were approved unanimously on January 18, 2006.

Background

- Space, Aeronautics, and Aviation Industries in Florida accounted for nearly 148,000 jobs and nearly \$7.6 billion in wages in 2004.
- Jobs are 43% above the average wage for all industries in the state.
- There is growing competition from other states and nations with less onerous approaches to launch regulation.
- Industry is evolving: Commercial Space Transportation market will evolve (much like the aviation industry of the 20th century) and accommodate everyday needs of consumers—not just the affluent.
- President Bush's Vision of Exploration: Retire the Space Shuttle by 2010, and build the Crew Exploration Vehicle to return to the Moon and travel to Mars.

Background

- The Commission identified four areas of focus:
 - **Talent:** A skilled workforce, world-class education system, and leading-edge research capability.
 - **Economic Diversification:** A focused business attraction, retention, and creation strategy.
 - **Launch Environment:** A world-leading infrastructure.
 - **Management:** A new organization, Space Florida, to provide statewide leadership, advocacy, and coordination for space-related policy.

Background

\$55 million is recommended for space as part of the 2006-2007 Bush/Jennings Budget.

Talent/Education

- Center for Mathematics & Science Education Research - \$ 2 million
- Innovative Education Programs determined by Space Florida - \$4 million (redirect KSC Visitors Center Sales Tax Revenue)

Economic Diversification

- Crew Exploration Vehicle – Position Florida to assemble, test, checkout, launch, maintain and refurbish the nation's new space vehicle - \$35 million
- Sales Tax Exemption for Space & Defense - \$3 million (from 25% to 100%)

Space Launch Environment/Other Commission Recommendations

- \$8 million to work towards other recommendations of the commission including 1) a Universal Documentation System (UDS) to reduce the time and costs to commercial launchers and 2) development of a commercial horizontal spaceport.

Management

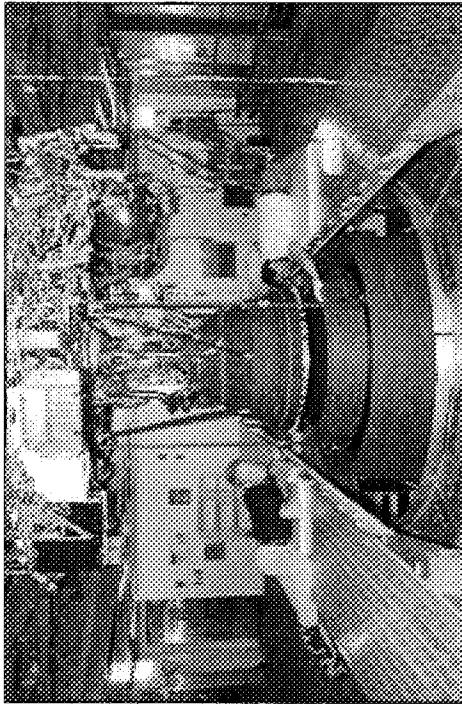
- Space Florida - \$3 million for operations and current activities

Governor's Commission on the Future of Space and Aeronautics in Florida

Talent

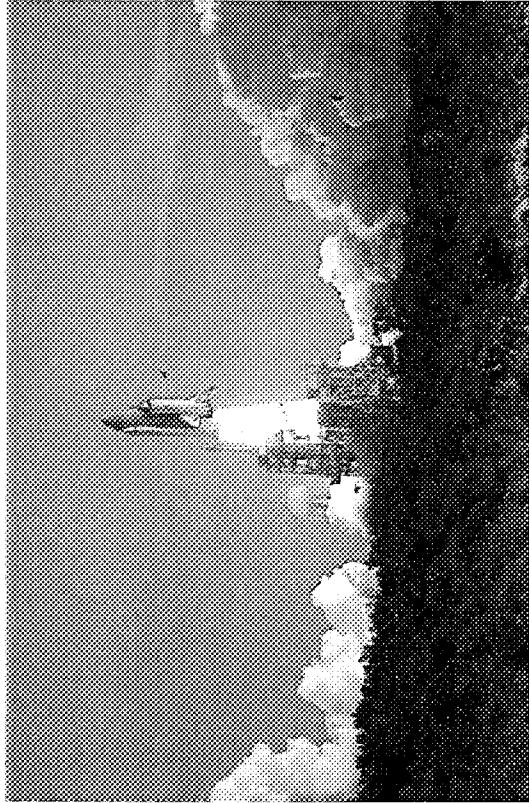
- “Investment Follows Talent.” Businesses are drawn to areas of quality education, cutting-edge technology and a highly skilled workforce.
- A renewed focus on math and science at all grade levels has been identified by the Commission.
- President Bush, in his State of the Union Address, reinforced this focus with the American Competitiveness Initiative.

Talent



- 1. Integrate space and aeronautics industry needs into the State's workforce development programs.** The human resource needs of space and aeronautics businesses should be a high priority for Workforce Florida and its partners. Workforce Florida should continue efforts to streamline the delivery of these programs, target customer needs, and encourage the creation or expansion of innovative training approaches, particularly those led by the private sector.

Talent



2. **Ensure space industry talent currently involved in the Space Shuttle program is retained after 2010.** The Shuttle workforce represents a unique and valuable resource that could provide much-needed technical expertise and mentoring to other aerospace companies, both established and startup. Workforce Florida and the regional workforce development boards should plan for this transition with a goal of retaining the vast majority of the Shuttle workforce in Florida.
Governor's Commission on the Future of Space and Aeronautics in Florida

Talent

- 3. Establish a Center for Mathematics and Science Education Research to enhance K-12 mathematics and science instruction quality.** Modeled after the existing Center for Reading Research, this Center should identify and disseminate effective teaching strategies and materials for science, mathematics, and related disciplines.
 - Governor Bush has recommended \$2 million in his budget to fund this Center.

Talent

4. **Improve K-12 mathematics and science teacher availability through a greater emphasis on teacher recruitment.** The Florida Dept. of Education should enhance efforts to recruit high school graduates into science, mathematics, and technology teacher education programs. The State should also expand alternative teacher certification programs in mathematics and science, along with programs to recruit retired aerospace workers to serve in the classroom.
 - Governor Bush has recommended a funding increase for the Critical Teacher Shortage Scholarship & Tuition Reimbursement Program.
Governor's Commission on the Future of Space and Aeronautics in Florida

Talent

- 5. Expand enrollment in, completion of, and retention of graduates from post-secondary degree programs in mathematics, science, and engineering, with emphasis on aerospace fields.**
 - FDOE should create an Aerospace Collegiate Career Academy to provide incentives and support for eligible state university and private university students who enroll in aerospace-related science and engineering programs.
 - This program should provide resources for mentoring, networking, internships, and job placement, as well as scholarships, loan forgiveness, or other incentives to encourage program graduates to remain in the State.

Talent

6. Provide hands-on opportunities for students to experience and learn about the aerospace industry.



The State should facilitate, increase the awareness of, and, as needed, provide seed funding for innovative programs such as:

- A week-long, space-related educational experience for students.
- An annual Aerospace Scholars competition for middle school students.
- Expansion of aerospace career education, scholarship, and internship initiatives.
- Continuation of the Florida Student Launch Program.
- The Commission recommended and the Governor included in his budget a redirection of sales tax revenue generated at KSC Visitor Complex (\$4 million) to be earmarked for innovative space education programs and other aerospace initiatives.

Talent

7. **Increase general awareness of aerospace activities.** The State should enhance efforts to make the public aware of the importance of the aerospace industry, including encouraging all school districts, colleges, and universities to develop programs to recognize “Space Day” each year.

Talent

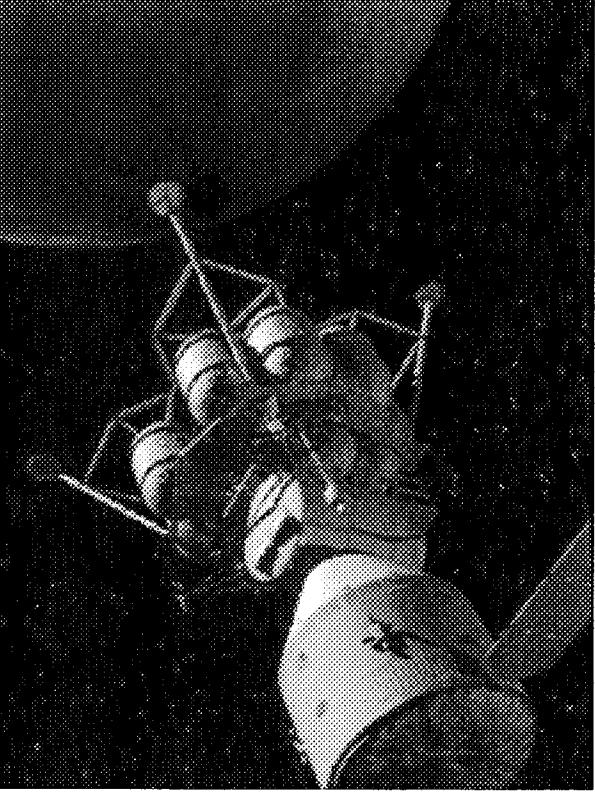
8. Create a center of excellence with focus on space and aeronautics research and technology.

- The center should serve as a focal point for attracting the nation's most eminent scholars and researchers in space and aeronautics.
- The center should be structured as a multi-institutional partnership between state universities, private universities, businesses, and other research institutions.
- The Center should be funded at a competitive level for a sustained period of time, and also make the current State-owned Space Life Sciences Laboratory available to house some center activities.
- Governor Bush has recommended \$100 million to create and expand Centers of Excellence around key sectors of our economy.

Governor's Commission on the Future of Space and Aeronautics in Florida

Economic Diversification

- Florida will continue to focus on creating a good business climate.
- Governor Bush has proposed \$630 million for economic development initiatives that will generate innovation needed to create the industries of our future. The following Initiatives could benefit the space and aeronautics industry:
 - 21st Century Technology, Research, and Scholarship Enhancement Act
 - Centers of Excellence: \$100 million
 - World Class Scholars Program: \$100 million
 - Space and Aeronautics: \$55 million
 - Florida Capital Formation Program: \$75 million
 - Quick Action Closing Fund: \$50 million
 - Florida Innovation Incentive Fund: \$250 million



Economic Diversification

9. **Position Florida to assemble, test, check out, launch, maintain, and refurbish the nation's new Crew Exploration Vehicle (CEV).** The Governor should engage with the National Aeronautics and Space Administration (NASA) and CEV developer teams to promote Florida as a location for these activities. The State should commit to partner with NASA and industry on necessary infrastructure and facility upgrades to enable the Cape to accommodate the CEV.
- Governor Bush has recommended \$35 million for O & C facility improvements at Kennedy Space Center.

Governor's Commission on the Future of Space and Aeronautics in Florida

Economic Diversification

10. Reaffirm space and aeronautics as a statewide target industry with Enterprise Florida as the lead business development agency.

The State should adopt a cluster approach to growing the space and aeronautics industry that considers the full range of related activities (from research and development to manufacturing to launch) and also considers the future convergence of the aviation and space industries.

Economic Diversification

11. Expand the tools available for recruitment of space and aeronautics businesses.

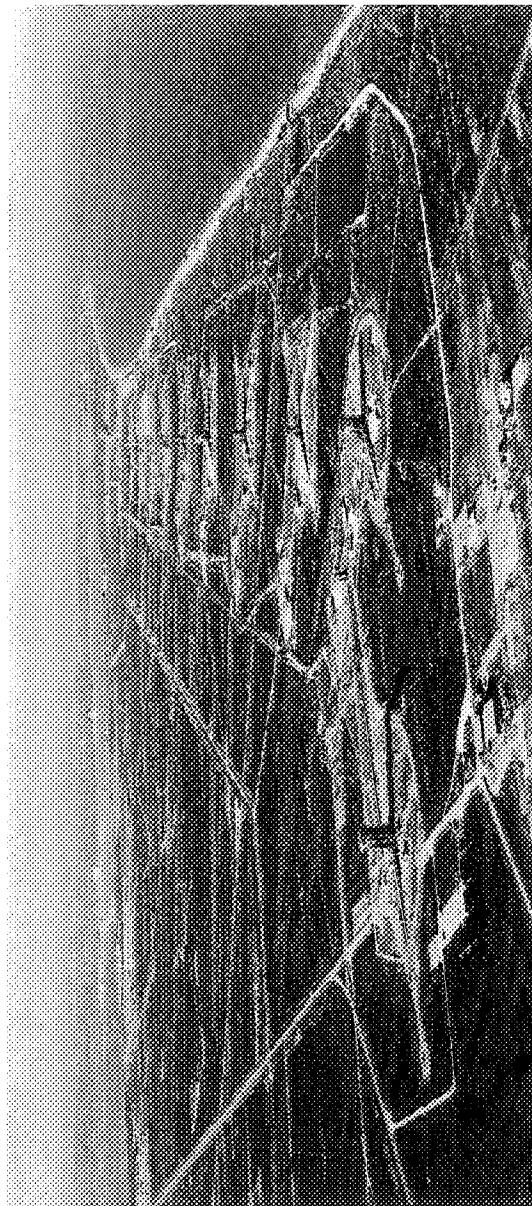
- These would include increasing the size of the Governor's Closing Fund to support select economic development opportunities.
- Governor Bush has recommended \$50 million for the Quick Action Closing Fund, an increase from \$10 million.
- Ensuring that the State's incentive programs are structured at competitive levels with other states for all key industry segments.
- Expanding from 25 percent to 100 percent the sales tax exemption for space and defense research, development, and production machinery and equipment—an estimated \$3 million recurring impact included in the Governor's proposed budget.

Economic Diversification

- 12. Provide targeted support and venture capital for aerospace technology businesses that are created in Florida.** Enterprise Florida should explore strategies such as small business innovation grants, seed capital funding, mentoring and entrepreneurial support programs, and accelerated resolution of intellectual property issues.
 - Governor Bush has recommended \$75 million in tax credits for the new Florida Capital Formation Program, which will offer tax credits to assist in attracting early stage venture capital for start-up companies in Florida.

Infrastructure and Launch Environment

- The infrastructure and regulatory code at the Cape are outdated.
- The Governor and the Florida Congressional Delegation should work closely with federal agencies and industry to preserve the unique national role served by our spaceport.
- The Cape will always be the world's premier launch site, but it does not have to be the only site to launch in Florida.



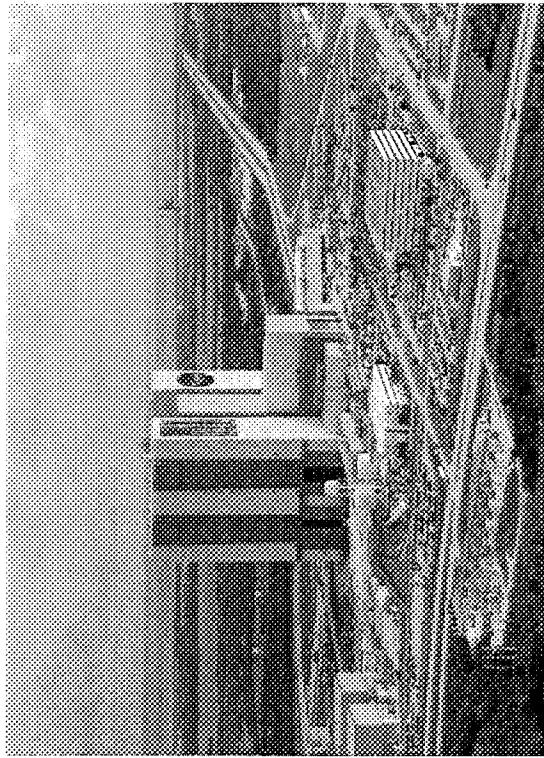
Governor's Commission on the Future of Space and Aeronautics in Florida

Infrastructure and Launch Environment

13. **Support Federal efforts to renew and upgrade the infrastructure and technologies at the Cape Canaveral Spaceport and Eastern Range to support the nation's Vision for Space Exploration, new military programs, and commercial growth.**
 - Significant investment is needed to rehabilitate and modernize aging facilities and equipment at Cape Canaveral and to address deferred maintenance and remediation needs.
 - Advocate for the commitment of necessary Federal resources and invest along with industry in selected infrastructure upgrades that would primarily serve commercial users.
 - Encourage NASA and the Air Force to accelerate plans to transition the Eastern Range to a space-based range that can better serve next-generation launch systems.

Infrastructure and Launch Environment

- 14. Improve highway, rail, and waterway connections to the Cape Canaveral Spaceport.** Through the Strategic Intermodal System, the Florida Department of Transportation (FDOT) should work with other state and Federal agencies and industry to identify and accelerate improvements to the highways, rail lines, and waterways that serve the Cape.



Infrastructure and Launch Environment

- 15. Advocate for enhanced Federal procedures and customer service for commercial launches at the Cape.
 - The Governor and the Florida Congressional delegation should play an active role engaging the Department of Defense, NASA, and the Federal Aviation Administration (FAA) to encourage necessary changes to Federal processes that would enhance commercial launch opportunities.
 - Support Federal agency efforts to clarify roles and responsibilities, synchronize regulations and policies, and improve customer service.
 - Support efforts to create a spaceport operating authority structure to manage access to and use of the Cape launch facilities and the Eastern Range.
 - Enhance and standardize the flight safety documentation processes and systems through which new commercial users are approved for launch through the Eastern Range.
- Governor's Commission on the Future of Space and Aeronautics in Florida

Infrastructure and Launch Environment

- 16. Plan and develop a commercial spaceport targeted initially at horizontal launches and located separately from the Federal lands at the Cape.**
 - While continuing with efforts to enhance commercial launches at the Cape, the State should also identify potential sites for a facility that would focus on horizontal launches, such as those that support commercial launches.
 - Such a spaceport could be located at the Cape on land not under Federal control, or at an airfield located elsewhere in the State with significant runway length.
 - It would operate similar to a commercial service airport.

Management

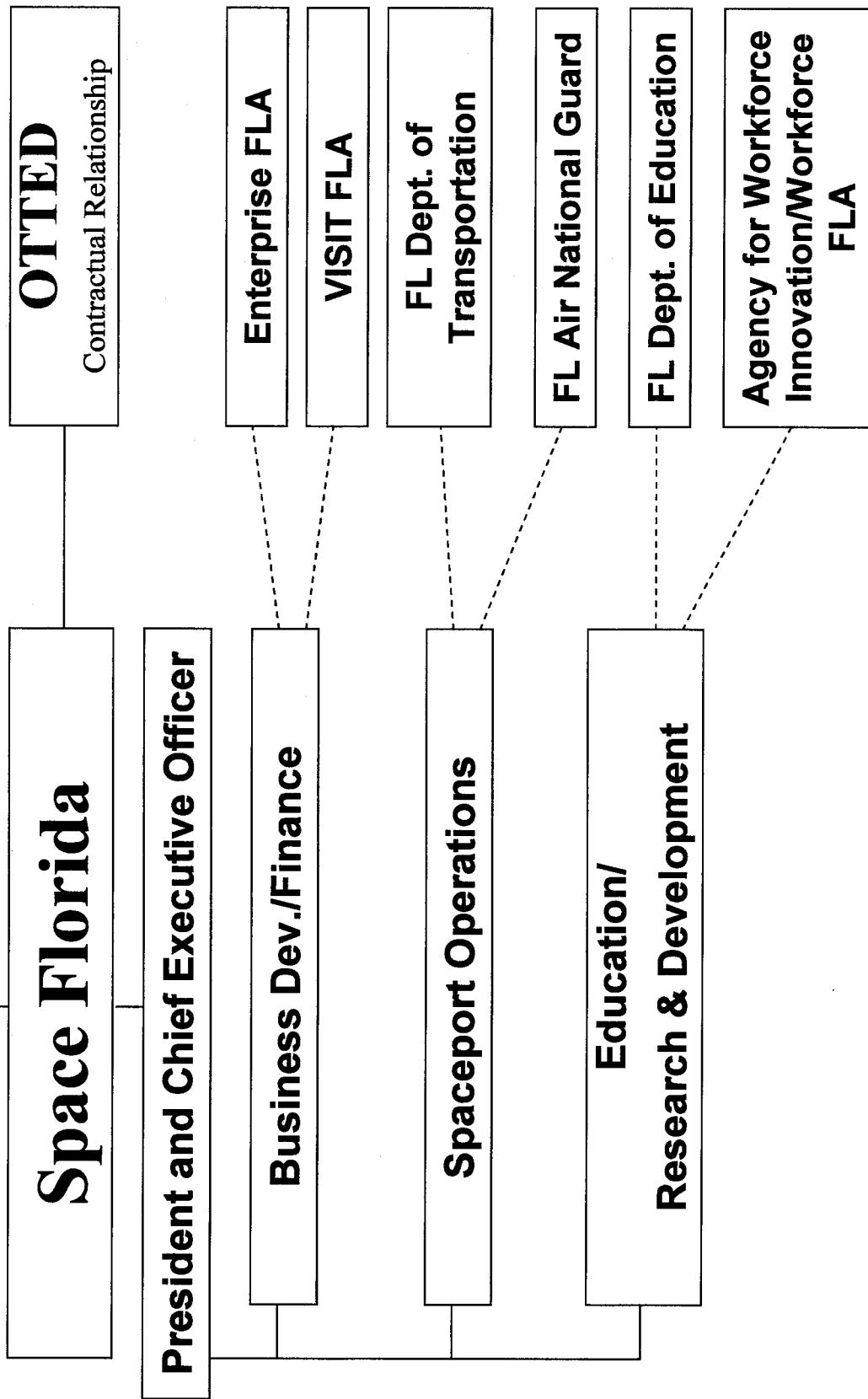
- The Commission concluded that Florida's multiple space-related agencies should be consolidated into a single-body, a “one-stop-shop” that coordinates and communicates all space-related matters within the State of Florida. Such a consolidation would:
 - Increase the visibility of space and aeronautics within Florida
 - Ensure clear lines of authority and accountability
 - Strengthen industry involvement in Florida's space and aeronautics policies and programs

Management

17. Consolidate Florida's existing space entities into a new organization, Space Florida.

- The Florida Space Authority, the Florida Space Research Institute, and the Florida Aerospace Finance Corporation should be consolidated into a new organization, Space Florida.
- Space Florida would serve as the central organization for coordinating and communicating all space-related matters within the State.
- Space Florida would be structured as a partnership similar to Enterprise Florida or Visit Florida.
- Space Florida would report to its Board of Directors, which will be chaired by the Governor and include industry members appointed by the Governor, the Senate President and House Speaker.

Space Florida Board of Directors
• Governor, Chair



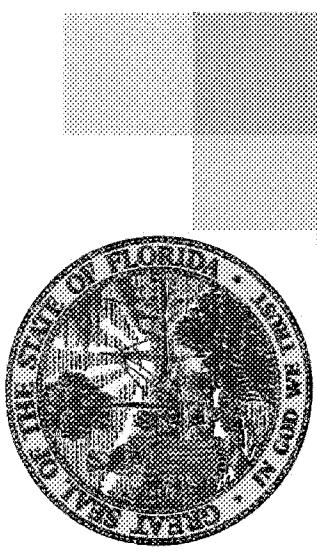
Management

18. **Provide dedicated funding to support innovative education programs or other space initiatives.** The State should provide funding for the most promising, results-based education programs and other space initiatives. The State should dedicate future sales tax revenue from the Kennedy Space Center Visitor Complex to Space Florida and its partner organizations implementing these programs.



**Department of Management Services
MyFloridaMarketPlace (MFMP)
and
MyFlorida.com**

**House Spaceport & Technology Committee
February 21, 2006**

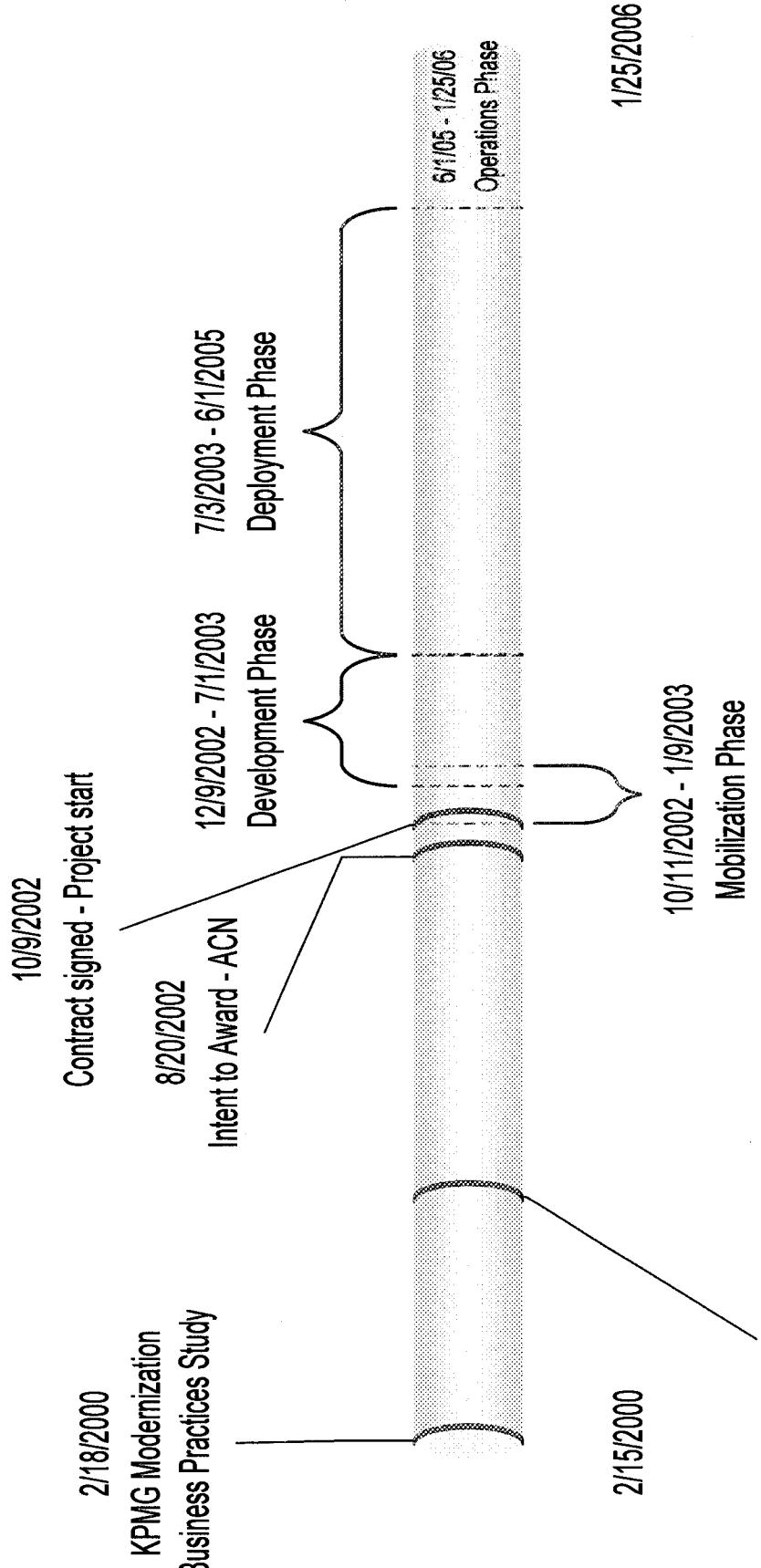


MyFloridaMarketPlace (MFMP) Overview

- **Mission**
 - Operate state procurement electronically to enable a more efficient and effective government

Specific Objectives	Status
Implement a single, statewide eProcurement system	Still relatively new, MFMP is a web based system implemented in all the Executive Agencies.
Aggregate all State spending into a buying channel for Strategic Sourcing	All agencies live as of May 2005 are currently capturing information to help with strategic sourcing initiatives.
Leverage new technology and capitalize on best practices	MFMP primary components are Ariba with additional 3rd party and custom components.
Become a self-funding program covering both DMS LBR and Accenture operating expenses	MFMP is fully funded through the 1% Transaction Fee.
Enable and facilitate One Florida	More than 19,000 of the 60,000 vendors registered with MFMP represent Minority Business Enterprise businesses.
Generate savings through Strategic sourcing and process efficiencies	MFMP saves Florida taxpayers an average of \$10M/year based in initial samples of 6 procurements

MFMP Timeline – Conception to Current



MFMP Project Overview

Achievements

- Project Management Methodology
- No major schedule variance relative to project scale and complexity
- Third party monitoring
- Successful implementation of system

Challenges

- Insufficient focus on Process Re-engineering
- Resource constraints
- System performance issues – insufficient benchmarking & testing
- Relationship with Service Provider – contentious at times

MFMPP Financial Overview

- Project is self-funded

Actual (thru Nov 2005)		Projections for Original Contract Term (10/02-11/07)	
Gross Revenue	\$42,240,019	\$86,427,540	
State Purchasing LBR Costs	\$18,207,219	\$31,763,024	
Net Revenue Share	\$24,032,800	\$54,664,516	
**Other Revenue	\$1,486,699	\$4,318,796	
Total Projected Revenue for Vendor	\$25,519,499	\$58,983,312	

**Includes Change Orders approved through contract modifications and Change Orders projected for which funding has not yet been secured - example, Aspire implementation.

Current State - Project Organizational Change

Last nine months, the project has experienced significant organizational structure changes yielding positive results:

- Project Manager – PMI certified, public & private sector IT experience
- Deputy Project /Operations Manager – PMI certified increased focus on agency user base
- Dedicated IT resource – PMI certified
- Process Improvement Team – recruited from State Agencies for direct experience
- Integrated coordination with State Purchasing Office

Performance Measurement

Modification 4 executed in November 2005 with emphasis on Performance Measures more stringent and clearly defined. Specific focus areas include:

- Accenture accountability – Contract renewal contingent on meeting PMs
- System performance – Response time measurement of actual business functions
- Business functions:
 - 100% success for FLAIR integration encumbrances & payments
 - 100% of payments are processed timely
 - Procure-to-pay life-cycle monitored to ensure agency usage
- Application support
 - 100% of system fixes incorporated
 - System fix priority defined more clearly
- System enhancement satisfaction criteria
 - 100% resolution on Customer support within 1 week
 - Customer service satisfaction level – 80% satisfaction minimum
 - Weekly status on all PMs

Performance Monitoring

MFMP leadership improving performance and service provider monitoring.

- Customer Support calls audited – ~20% audited for accuracy and quality of response
- System performance timings to monitor for usability
- Verification and validation of Performance Measure Reporting – not just a review of the numbers submitted
- Re-emphasis of Third Party as a “Monitor” not an “Augmenter”

Customer Service

MFMP leadership reinvigorating role as a “service” provider to State agencies.

- Proactive MFMP leadership opening new channels of communication with agencies and intervening with service provider on behalf of the agencies for customer support calls
- Functional focus groups created from key agencies with positive feedback and results
- Customer outreach to address specific agency issues with “hot fix” process support provided
- Independent surveys to validate satisfaction level
- Integrated Change Control Board including Agency involvement in key roles

Auditor General IT Audit Status

Update of our action plan from the AG IT audit complete in July 2005:

- 17 Findings with recommendations – 29 resulting action items
- All action items are on track to meet completion dates
- 13/29 (45%) complete
- 23/29 (80%) complete by end of Feb '06
- Balance complete by end of FY

MyFlorida.com Portal

Portal Definition:

Gateway for the World Wide Web with rich navigation, a collection of loosely integrated features, and a diverse, large target audience.

Objective:

Establish a centralized Portal site for anyone to access State information and services.

Status:

Accomplished. The MyFlorida.com Portal is now an ongoing operation with several projects kicked-off and managed throughout year to enhance and improve the Portal.

History

- MyFlorida.com Portal was established in 2000 in compliance with legislative mandates.
- Links to Agency Web Sites were added through 2001.
- Continued improvement of the User Interface in 2003-04, with links to major eGovernment Services.

Today's Portal Features

- Menu Navigation for:
 - Visitor
 - Floridian
 - Business
 - Government
 - Get Answers
 - Hot Topics
- Licensee Search and Access
 - FAQ Knowledgebase
 - Dynamic Q&A
 - 411 Quick Search
 - Homeland Security Status
 - Legislator Search
 - Driver License Office Locator
- Government Headlines
 - MyFlorida eNews sign-up
 - Agency-at-a-Glance
 - MyFlorida.com Feedback
 - Emergency Banner Display

Daily Operational Activities

- Maintain health of Portal and Enterprise Tools.
- Enterprise Tool upgrades.
- Maintain custom content management applications.
- Governor's Office, other agencies and governmental entities – text, banners, hot topics.
- Maintain links.
- Daily aggregation of Web site logs for Web analytics.
- Search engine maintenance.
- RightNow Technologies (FAQs) updates.
- Respond to Public Feedback questions and problems.
- Periodic Section 508 compliance checks for Portal and agencies.
- Graphics creation and modification for Portal.
- Coordinate Portal Advisory Group meetings.
- 24-Hour On-Call.

Key Initiatives

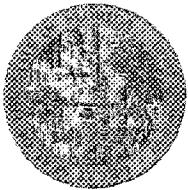
- Ensure Section 508 Compliance – Ensure Portal is accessible to the disabled community.
- Portal Reconfiguration – Eliminate expensive software with low value to cost ratio; consolidate hardware infrastructure.
- Content Management System – Put content changes in hands of content authors; more attractive solution for agencies.
- Re-architect Portal site – Utilize current best practices in Web design to create more manageable, less costly Portal. More attractive to agencies.
- Rebuild Infrastructure – Allow Portal infrastructure to grow as Portal adoption by agencies increase.
- New Navigation Model and Look & Feel – Flexibility for more layers of content; more intuitive navigation; enhanced user interface.

Key Initiatives

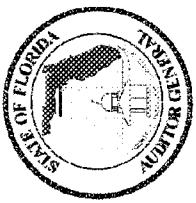
- Agency-related Content Layer – Better representation of agency-related information.
- New Search Engine – Move to less expensive hardware solution that provides greater value.
- Template and Standards Redevelopment – Make MyFlorida.com templates for new design available to agencies for site development to increase consistency among sites.
- Security and Privacy Standards – Development of standards based on latest technology and best practices.
- Multiple Language Translation – Implement the Portal in multiple languages to reach more Floridians.
- Enterprise Tool Access Process – Establish clearer and easier processes for accessing and using Enterprise Tools.
- Added Functionality – Facility locator with maps, personalization of homepage, weather and traffic information.

Portal Costs

- **2004-2005**
 - *Create enhanced Look & Feel*
 - *Create applications for managing agency information*
 - *Web site development and assistance*
 - **2005-2006**
 - *Maintain existing Portal and finalize strategic direction based on transition to DMS*
 - **2006-2007 Requested**
 - *New CMS purchase and implementation*
 - *Search engine replacement*
 - *Staff augmentation*



AUDITOR GENERAL



Department of Management Services

MyFloridaMarketPlace System

Information Technology Audit

Audit Report 2006-015

Department of Management Services

MyFloridaMarketPlace System

- A Web-based eProcurement System; the State's Purchasing Subsystem pursuant to Section 215.93(1)(d), F.S.
- DMS is the functional owner pursuant to Section 215.94(4), F.S.
- Accenture is the application service provider.
 - North Highland was contracted to provide performance monitoring of the Accenture contract and other consulting services.

Department of Management Services

MyFloridaMarketplace System

- Provides an Internet portal for vendors to register, receive bid information, post information on products and services, and receive POs electronically.
- Allows State agencies to view procurement data, access on-line catalogs and vendor information, and enter purchase requisitions.
- Automatically sends approved procurement transactions to FLAIR for payment.

Key Areas Where IT Management Needed Improvement

- Functional Acceptance of the System
- Systems Development and Maintenance
- Monitoring of Contractor Performance
- System Performance and Capacity
- Continuity of Service
- Security of Data and IT Resources
- Data Management

Any Questions?

